

**CITY OF CASCADE, IOWA**  
**INDEPENDENT AUDITOR'S REPORT**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**

**June 30, 2014**

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# CITY OF CASCADE

## OFFICIALS (Before January, 2014)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Henry	Mayor	Jan. 2014
Steven Knepper	Mayor Pro tem	Jan. 2016
Russ Boffeli	Council Member	Jan. 2014
Robert Moriarity	Council Member	Jan. 2014
Bill Hosch	Council Member	Jan. 2014
Pat Kearney	Council Member	Jan. 2016
Tim Long	City Administrator	Indefinite
Shelley Annis	City Clerk/Treasurer	Indefinite
Doug Henry	Attorney	Indefinite

## (After December, 2013)

Michael Henry	Mayor	Jan. 2016
Steven Knepper	Mayor Pro tem	Jan. 2016
Pat Kearney	Council Member	Jan. 2016
Bill Hosch	Council Member	Jan. 2018
Gregory Staner	Council Member	Jan. 2018
Ed Recker	Council Member	Jan. 2018
Tim Long	City Administrator	Resigned Apr. 30, 2014
Shelley Annis	City Clerk/Treasurer	Resigned Jun. 12, 2014
Doug Henry	Attorney	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

124A Main • P.O. Box 359

Elkader, Iowa 52043

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit and each major fund, of the City of Cascade, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the City of Cascade as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on the June 30, 2013, 2012, and 2011 financial statements and a qualified opinion on the June 30, 2010 financial statements, all of which were prepared on the basis of cash basis and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally

accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 14 and 35 through 36, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2015 on our consideration of the City of Cascade's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Cascade's internal control over financial reporting and compliance.

Elkader, Iowa

January 12, 2015



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

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# ***CITY OF CASCADE***

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Mayor: Mike Henry  
City Administrator: Deanna McCusker

City Clerk/Treasurer:  
Danielle Hartke

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P.O. Box 400  
Cascade, IA 52033  
Phone 563-852-3114  
Fax: 563-852-7554  
cascadeclerk@netins.net

Council Members:  
Bill Hosch  
Pat Kearney  
Steve Knepper  
Ed Recker  
Greg Staner

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Cascade provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities decreased 66.4%, or approximately \$ 3.652 million from fiscal 2013 to fiscal 2014. Bonds and note proceeds decreased approximately \$ 3.380 million and property taxes (including TIF receipts) increased approximately \$ 12,000.

Disbursements of the City's governmental activities decreased 32.7%, or approximately \$ 1.604 million in fiscal 2014 from fiscal 2013. Capital projects, public safety, and community and economic development disbursements decreased approximately \$ 1.435 million, \$ 303,000, and \$ 93,000, respectively.

The City's total cash basis net position decreased 30.8%, or approximately \$ 1.155 million, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$ 1.322 million and the cash basis net position of the business type activities increased approximately \$ 167,000. The discretely presented component unit (Cascade Municipal Utilities) cash basis net position increased 7.9% or approximately \$ 193,000 to approximately \$ 2.638 million.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole, including the discretely presented component unit, and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and operational results of funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **The City's Reporting Entity Presentation**

This annual report includes all activities for which the City of Cascade is fiscally responsible. These activities, defined as the City's reporting entity, are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government consists of one legal entity, the City of Cascade.

The component unit presentation consists of one legal entity, the Cascade Municipal Utilities.



## Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into three kinds of activities:

*Governmental Activities* include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

*Business Type Activities* include the waterworks, the sanitary sewer system and garbage collection. These activities are financed primarily by user charges.

*Discretely Presented Component Unit* consists of Cascade Municipal Utilities, a legally separate organization that has the potential to provide specific benefits or impose specific financial burdens on the City.

## Fund Financial Statements

The City has two kinds of funds:

*Governmental Funds* account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include (1) the General Fund, (2) the Special Revenue Funds, such as Urban Renewal Tax Increment, (3) the Debt Service Fund, and (4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

*Proprietary Funds* account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer, and Garbage Funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$ 2.729 million to approximately \$ 1.407 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service	\$ 276	247
Operating grants and contributions	220	244
Capital grants and contributions	7	207
General receipts:		
Property tax	1,084	1,072
Other local taxes	244	258
Unrestricted investments earnings	16	18
Bond and note proceeds	0	3,380
Other general receipts	4	77
Total receipts	<u>1,851</u>	<u>5,503</u>
Disbursements:		
Public safety	240	543
Public works	346	330
Culture and recreation	176	157
Community and economic development	121	213
General government	223	219
Debt service	560	371
Capital projects	<u>1,635</u>	<u>3,070</u>
Total disbursements	<u>3,301</u>	<u>4,903</u>
Change in cash basis net position before transfers	(1,450)	600
Transfers, net	<u>128</u>	<u>123</u>
Change in cash basis net position	(1,322)	723
Cash basis net position beginning of year	<u>2,729</u>	<u>2,006</u>
Cash basis net position end of year	<u>\$ 1,407</u>	<u>2,729</u>

The City's total receipts for governmental activities decreased 66.4% or approximately \$ 3.652 million. The total cost of all programs and services decreased approximately \$ 1.604 million, or 32.7%. The decrease in receipts was due primarily to receipt of approximately \$ 3.2 million from bond proceeds to fund a water improvement project in 2013, while no bonds were issued in 2014.

The decrease in disbursements was due primarily to a decrease in capital projects spending of approximately \$ 1.322 million. Two major capital projects, which included resurfacing 1<sup>st</sup> Avenue and the Water System Improvement Project, were completed in 2014.

The City property tax rate remained unchanged for 2014. However, because of increased valuations, City property tax receipts, increased approximately \$ 12,000. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase approximately \$ 42,000 next year.

The cost of all governmental activities this year was approximately \$ 3.301 million compared to approximately \$ 4.903 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16 - 17, the amount taxpayers ultimately financed for these activities was only \$ 2.798 million because some of the cost was paid by those directly benefited from the programs (\$ 276,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$ 227,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in 2014 from approximately \$ 698,000 to approximately \$ 503,000. The City paid for the remaining "public benefit" portion of governmental activities (\$ 2.798 million) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest.

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Changes in Cash Basis Net Position of Business Type Activities  
(Expressed in Thousands)

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	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 330	322
Sewer	286	272
Garbage	130	128
General receipts:		
Unrestricted interest on investments	6	9
Other general receipts	<u>3</u>	<u>2</u>
Total receipts	<u>755</u>	<u>733</u>

Disbursements:		
Water	203	215
Sewer	154	148
Garbage	<u>104</u>	<u>103</u>
Total disbursements	<u>461</u>	<u>466</u>
Change in cash basis net position before transfers	294	267
Transfers, net	<u>(128)</u>	<u>(123)</u>
Change in cash basis net position	166	144
Cash basis net position beginning of year	<u>1,021</u>	<u>877</u>
Cash basis net position end of year	<u>\$ 1,187</u>	<u>1,021</u>

The business type activities receipts for the fiscal year were approximately \$ 755,000 compared to approximately \$ 733,000 last year. The increase was due primarily to increased usage. Cash basis net position increased approximately \$ 166,000 from 2013. Total disbursements for the fiscal year decreased 1.1% or approximately \$ 5,000.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Cascade completed the year, its governmental funds reported a combined fund balance of \$ 1,406,639, a decrease of \$ 1,321,992 from last year's total of \$ 2,728,631. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 175,492 from the prior year to \$ 1,631,854. The General Fund increase was due primarily to a decrease of \$ 308,704 in public safety disbursements, because of the 2013 ambulance purchase.

The Special Revenue, Road Use Tax Fund cash balance increased \$ 26,725 to \$ 26,725. Road use tax receipts increased \$ 8,825. The City intends to use this money for general street maintenance.

The Special Revenue, Employee Benefits Fund cash balance increased \$ 6,879 to \$ 6,879. This increase was attributable to a \$ 7,603 increase in property tax receipts. This is earmarked to pay employment taxes and benefits.

The Special Revenue, Urban Renewal Tax Increment Fund receipts was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$ 456,177, an increase of \$ 86,471 from the previous year. Disbursements included \$ 32,734 for tax rebates and approximately \$ 68,000 on other construction projects in the TIF districts. Another \$ 362,148 was transferred to the

Debt Service Fund for debt retirement.

The Debt Service Fund cash balance remained unchanged. Long-term debt principal and interest payments increased \$ 188,654 in fiscal year 2014.

The Capital Projects Fund cash balance decreased \$ 1,617,559 to a deficit of \$ 714,996 in fiscal year 2014. Capital projects disbursements decreased \$ 1,435,003 to \$ 1,635,242 in fiscal year 2014. Disbursements were primarily for the completion of the Water System Improvement and 1<sup>st</sup> Avenue resurfacing projects.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise, Water Fund cash balance increased \$ 36,295 to \$ 763,685. Net operating receipts increased \$ 20,840, because gross operating receipts increased \$ 8,072.

The Enterprise, Sewer Fund cash balance increased \$ 106,307 to \$ 228,555. Net operating receipts increased \$ 7,743, because gross operating receipts increased \$ 14,082.

The Enterprise, Garbage Fund cash balance increased \$ 24,000 to \$ 195,214. Net operating receipts increased \$ 319.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 27, 2014, and resulted in an increase in budgeted disbursements of \$ 25,000.

The City's receipts were \$ 150,980 less than budgeted. This was primarily due to the City's receiving less in grant funds than anticipated.

The City's disbursements were \$ 1,541,260 less than budgeted, primarily due to capital projects disbursements being \$ 714,758 less than budgeted. In addition, business type activities disbursements were \$ 212,545 less than budgeted.

The City exceeded the amount budgeted in the general government function for the year ended June 30, 2014.

## **DEBT SERVICE**

At June 30, 2014, the City had \$ 4,376,004 in bonds and notes outstanding, as shown on the next page.

<u>Outstanding Debt at Year End</u> (Expressed in Thousands)		
	<u>2014</u>	<u>2013</u>
General obligation notes	\$ 424	496
General obligation bonds	2,975	3,200
Urban renewal tax increment financing revenue notes	0	105
Revenue notes	62	82
Revenue bonds	915	955
Total	<u>\$ 4,376</u>	<u>4,838</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issued to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 3,399,004 is below its constitutional limit of \$ 6.0 million.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Cascade's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities. One of these factors is the economy. Sales tax receipts decreased \$ 14,167 in fiscal 2014, a decrease of 5.5%. Taxable property valuation increased approximately \$ 2.131 million or 3.3%. Over the last 10 years, the City's population has increased 201 to 2,159 and that trend is expected to continue.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$ 6.327 million, an increase of 5.7% over the final 2014 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 180,000 by the close of fiscal year 2015.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provided our citizens, taxpayers, customers, and creditors with a general overview of the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Danielle Hartke, City Clerk; 320 1<sup>st</sup> Avenue West; Cascade, Iowa 52033-0400.

## BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF CASCADE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
As of and for the Year Ended June 30, 2014

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Discretely Presented Component Unit
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Discretely Presented Component Unit	
					Governmental Activities	Business Type Activities		
Governmental activities:								
Public safety	\$ 239,492	120,846	100	-	(118,546)	-	(118,546)	
Public works	346,394	68,789	216,871	-	(60,734)	-	(60,734)	
Culture and recreation	176,181	40,898	3,009	-	(132,274)	-	(132,274)	
Community and economic development	120,812	24,354	-	-	(96,458)	-	(96,458)	
General government	223,022	8,981	-	-	(214,041)	-	(214,041)	
Debt service	559,764	4,139	-	-	(555,625)	-	(555,625)	
Capital projects	1,635,242	8,313	-	6,539	(1,620,390)	-	(1,620,390)	
Total governmental activities	3,300,907	276,320	219,980	6,539	(2,798,068)	-	(2,798,068)	
Business type activities:								
Water	202,650	329,879	-	-	-	127,229	127,229	
Sewer	154,170	286,148	-	-	-	131,978	131,978	
Garbage	103,726	129,446	-	-	-	25,720	25,720	
Total business type activities	460,546	745,473	-	-	-	284,927	284,927	
Total primary government	\$ 3,761,453	1,021,793	219,980	6,539	(2,798,068)	284,927	(2,513,141)	
Discretely presented component unit:								
Cascade Municipal Utilities	\$ 3,027,830	3,096,293	-	-				68,463
General Receipts and Transfers:								
Property tax					535,497	-	535,497	-
Tax increment financing					548,073	-	548,073	-
Local option sales tax					244,047	-	244,047	-
Unrestricted interest on investments					16,048	6,175	22,223	17,460
Miscellaneous					4,592	3,320	7,912	106,792
Transfers					127,821	(127,821)	-	-
Total general receipts and transfers					1,476,078	(118,326)	1,357,752	124,252
Change in cash basis net position					(1,321,990)	166,601	(1,155,389)	192,715
Cash basis net position beginning of year					2,728,631	1,020,852	3,749,483	2,445,403
Cash basis net position end of year					\$ 1,406,641	1,187,453	2,594,094	2,638,118

(continued)



CITY OF CASCADE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
As of and for the Year Ended June 30, 2014

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total	
Cash Basis Net Position:				
Restricted:				
Nonexpendable:				
Utility deposits	\$ -	19,313	19,313	59,510
Expendable:				
Streets	26,724	-	26,724	-
Urban renewal purposes	456,177	-	456,177	-
Debt service	-	82,222	82,222	197,540
Other purposes	6,879	-	6,879	-
Unrestricted	916,861	1,085,918	2,002,779	2,381,068
Total cash basis net position	\$ 1,406,641	1,187,453	2,594,094	2,638,118

See notes to financial statements.

Exhibit B

CITY OF CASCADE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2014

		Special Revenue					
	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Debt Service	Capital Projects	Total
Receipts:							
Property tax	\$ 510,118	-	25,379	-	-	-	535,497
Tax increment financing	-	-	-	548,073	-	-	548,073
Other city tax	244,047	-	-	-	-	-	244,047
Licenses and permits	25,252	-	-	-	-	-	25,252
Use of money and property	14,183	-	-	1,774	1,767	2,831	20,555
Intergovernmental	23,106	215,584	-	-	-	6,539	245,229
Charges for service	203,067	-	-	-	-	-	203,067
Special assessments	-	-	-	-	2,372	-	2,372
Miscellaneous	18,691	-	-	-	-	8,313	27,004
Total receipts	1,038,464	215,584	25,379	549,847	4,139	17,683	1,851,096
Disbursements:							
Operating:							
Public safety	234,178	-	5,314	-	-	-	239,492
Public works	157,777	178,332	10,285	-	-	-	346,394
Culture and recreation	176,181	-	-	-	-	-	176,181
Community and economic development	19,584	-	-	101,228	-	-	120,812
General government	220,121	-	2,901	-	-	-	223,022
Debt service	-	-	-	-	559,764	-	559,764
Capital projects	-	-	-	-	-	1,635,242	1,635,242
Total disbursements	807,841	178,332	18,500	101,228	559,764	1,635,242	3,300,907
Excess (deficiency) of receipts over (under) disbursements	230,623	37,252	6,879	448,619	(555,625)	(1,617,559)	(1,449,811)
Other financing sources (uses):							
Operating transfers in	23,591	-	-	-	555,625	-	579,216
Operating transfers out	(78,719)	(10,528)	-	(362,148)	-	-	(451,395)
Total other financing sources (uses)	(55,128)	(10,528)	-	(362,148)	555,625	-	127,821
Change in cash balances	175,495	26,724	6,879	86,471	-	(1,617,559)	(1,321,990)
Cash balances beginning of year	1,456,362	-	-	369,706	-	902,563	2,728,631
Cash balances end of year	\$ 1,631,857	26,724	6,879	456,177	-	(714,996)	1,406,641

(continued)

Exhibit B  
(continued)

CITY OF CASCADE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2014

	General	Special Revenue			Debt Service	Capital Projects	Total
		Road Use Tax	Employee Benefits	Urban Renewal Tax Increment			
Cash Basis Fund Balances:							
Restricted for:							
Streets	\$ -	26,724	-	-	-	-	26,724
Urban renewal purposes	-	-	-	456,177	-	-	456,177
Other purposes	-	-	6,879	-	-	-	6,879
Committed for:							
Police car	11,419	-	-	-	-	-	11,419
Fire truck	109,902	-	-	-	-	-	109,902
Riverview Park wall	54,058	-	-	-	-	-	54,058
Truck	33,730	-	-	-	-	-	33,730
Self-funded health insurance	60,030	-	-	-	-	-	60,030
Swimming pool	40,655	-	-	-	-	-	40,655
Cable	4,828	-	-	-	-	-	4,828
Parks/playground	45,423	-	-	-	-	-	45,423
Library	31,609	-	-	-	-	-	31,609
First Avenue bridge	458,442	-	-	-	-	-	458,442
Trail	46,742	-	-	-	-	-	46,742
Siren	1,663	-	-	-	-	-	1,663
Bicentennial	2,522	-	-	-	-	-	2,522
Ambulance	15,838	-	-	-	-	-	15,838
Unassigned	714,996	-	-	-	-	(714,996)	-
Total cash basis fund balances	\$ 1,631,857	26,724	6,879	456,177	-	(714,996)	1,406,641

See notes to financial statements.

CITY OF CASCADE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
As of and for the Year Ended June 30, 2014

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 329,879	286,148	129,446	745,473
Operating disbursements:				
Business type activities	202,650	154,170	103,726	460,546
Excess of operating receipts over Operating disbursements	127,229	131,978	25,720	284,927
Non-operating receipts (disbursements):				
Interest on investments	3,904	1,066	1,205	6,175
Water deposits	6,410	0	0	6,410
Water deposits refunded	(5,870)	0	0	(5,870)
Miscellaneous	2,174	606	0	2,780
Net non-operating receipts	6,618	1,672	1,205	9,495
Excess of receipts over disbursements	133,847	133,650	26,925	294,422
Other financing uses:				
Operating transfers outs	(97,552)	(27,344)	(2,925)	(127,821)
Net change in cash balances	36,295	106,306	24,000	166,601
Cash balances beginning of year	727,390	122,248	171,214	1,020,852
Cash balances end of year	\$ 763,685	228,554	195,214	1,187,453
Cash Basis Fund Balances:				
Restricted:				
Nonexpendable:				
Utility deposits	\$ 19,313	0	0	19,313
Expendable:				
Debt service	72,086	10,136	0	82,222
Unrestricted	672,286	218,418	195,214	1,085,918
Total cash basis fund balances	\$ 763,685	228,554	195,214	1,187,453

See notes to financial statements.

CITY OF CASCADE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**1) Summary of Significant Accounting Policies**

The City of Cascade is a political subdivision of the State of Iowa located in Dubuque and Jones Counties. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Cascade has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has one component unit which meet the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Cascade Municipal Utilities (CMU)	Created to finance, develop and operate the Municipal Utilities which provide gas and electric services to the City. The CMU governing body is composed of three members appointed by the City Council.

The Utility issues a publicly available audited financial report that includes financial statements and other supplementary information. The report may be obtained by writing to: Cascade Municipal Utilities; 320 1<sup>st</sup> Avenue West, PO Box 400; Cascade, Iowa 52033-0400.

## Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque and Jones County Assessor's Conference Boards, Dubuque and Jones County Emergency Management Commissions, and Dubuque and Jones County Joint E911 Service Boards.

### B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and inter-governmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activities between the primary government (the City) and the discretely presented component unit (Cascade Municipal Utilities) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Non-expendable restricted net position* is subject to externally imposed stipulations which require them to be maintained permanently by the City, including customer utility deposits.

*Expendable restricted net position* results when constraints placed on the use of cash balances is either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a

given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is utilized to account for property tax to be used for nonproprietary payroll taxes and employee fringe benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for other receipts, such as Urban Renewal Tax Increment Fund transfers, to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for major construction and improvement projects in the City.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's solid waste collection and disposal.

#### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Nonspendable* - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors,



or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts which can be used only for specific purposes determined pursuant to constraints imposed by the City Council through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the general government function.

**2) Cash and Pooled Investments**

The City's and Utility's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City and Utility are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council or Utility Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Account Standards Board Statement No. 3. However, the Utility had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$ 1,003 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk - The City's and Utility's investment policies limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City and Utilities.

Credit Risk - The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

### 3) Notes Payable

Annual debt service requirements to maturity for general obligation notes, general obligation bonds and revenue bonds and notes of the City are as follows.

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 367,160	54,984	60,000	23,810	427,160	78,794
2016	402,344	50,207	66,000	23,360	468,344	73,567
2017	416,500	44,713	66,000	23,990	482,500	68,703
2018	421,500	39,218	45,000	22,685	466,500	61,903
2019	426,500	32,937	45,000	22,010	471,500	54,947
2020-2024	1,365,000	54,955	235,000	76,150	1,600,000	131,105
2025-2029	0	0	275,000	60,050	275,000	60,050
2030-2032	0	0	185,000	13,380	185,000	13,380
Total	\$ 3,399,004	277,014	977,000	265,435	4,376,004	542,449

#### Sewer Revenue Notes

On February 17, 2010, the City entered into a State Revolving loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 137,000 of sewer revenue notes with interest at 3% per annum. The notes were issued pursuant to the provisions of Section 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of improvements to the Polk Street lift station.

The City had pledged future sewer customer receipts, net of specified operating disbursements, to repay the remaining \$ 62,000 of sewer revenue notes issued on February 17, 2010, with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Annual principal and interest payments on the notes are expected to require less than 33% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 22,460 and \$ 131,978, respectively.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- a) The notes will only be redeemed from the future earnings of the Enterprise, Sewer Fund and the note holders hold a lien on the future earnings of the fund.
- b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue notes.

#### Water Revenue Bonds

On June 13, 2012, the City sold \$ 995,000 of water revenue bonds. The resolution providing for the issuance of the revenue bonds includes the following provisions:

- a) The bond will only be redeemed from the future earnings of the Enterprise, Water Fund and the bond holders hold a lien on the future earnings of the fund. The bonds are callable June 1, 2019 and have a remaining balance of \$ 915,000.
- b) Net operating revenues are to equal 125% of the average amount of annual installments of principal and interest on all of the bonds and any other parity obligations outstanding from time to time, as the same becomes due.
- c) Sufficient monthly transfers shall be made to a “Water Revenue Sinking Fund” for the purpose of making the bond principal and interest payments when due.
- d) Additionally, \$ 68,810 is to be set aside from the bond proceeds to create a Principal and Interest Reserve Fund. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking fund.

For the current year, principal and interest paid and net operating receipts were \$ 64,510 and \$ 127,229, respectively.

#### Cascade Municipal Utilities Electric Revenue Notes

Annual debt service requirements to maturity for the electric revenue notes of the Cascade Municipal Utilities are as follows:

Year Ending June 30,	Electric Revenue Notes	
	Principal	Interest
2015	\$ 140,000	57,540
2016	140,000	54,740
2017	145,000	51,660
2018	145,000	47,962
2019	150,000	43,758
2020-2024	835,000	137,602
2025	190,000	7,790
Total	<u>\$ 1,745,000</u>	<u>401,052</u>

The resolution providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric utility and the note holders hold a lien on the future earnings of the Utility. The notes are callable June 1, 2017, at par.
- b) Sufficient monthly transfers shall be made to an electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) Additionally, \$ 197,540 has been set aside from the note proceeds to create a principal and interest reserve account. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking account.

#### **4) Pension and Retirement Benefits**

The City and Utility contribute to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the City and Utility are required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state

statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$ 34,069, \$ 31,825 and \$ 32,279, respectively. The Utility's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$ 26,931, \$ 25,093, and \$ 23,532, respectively. The City's and Utility's contributions were equal to the required contributions for each year.

## **5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and spouses. There are 5 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City and the Utility.

The City and the Utility finance the retirement benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 365 for single coverage and \$ 869 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$ 55,384 and plan members contributed \$ 7,858. The most recent active member monthly premiums for the Utility and plan members are \$ 322 for single coverage and \$ 732 for family coverage. For the year ended June 30, 2014, the Utility contributed \$ 44,248 and plan members contributed \$ 3,000.

## **6) Compensated Absences**

The City and Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death.

These accumulations are not recognized as disbursements until used or paid. The City's and Utility's approximate liability for earned compensated absences payable to

employees at June 30, 2014, are as follows:

<u>Type of Benefit</u>	<u>City Amount</u>	<u>Utility Amount</u>
Vacation	<u>\$ 13,000</u>	<u>\$ 24,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2014.

## 7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 are as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 10,528
	Enterprise:	
	Water	5,459
	Sewer	4,679
	Garbage	<u>2,925</u>
		<u>23,591</u>
Debt Service	General	78,719
	Special Revenue:	
	Urban Renewal Tax Increment	362,149
	Enterprise:	
	Water	92,093
	Sewer	<u>22,665</u>
		<u>555,626</u>
Total		<u>\$ 579,217</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## 8) Related Party Transactions

The City paid the Utility \$ 111,138 for gas, electric and collection service for the fiscal year ended June 30, 2014.

The City received \$ 6,795 for shared supplies, repairs and copier from the Utility for the fiscal year ended June 30, 2014.

## **9) Risk Management**

The City and Utility are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City and Utilities assume liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance in any of the past three fiscal years.

## **10) Developer Agreements**

The City has entered into four development agreements to assist various urban renewal projects.

With the first agreement the City has agreed to rebate 70% of the incremental tax paid by the developer, in exchange for construction and operating of a grocery store by the developer on land within the Cascade Urban Revenue Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning December 1, 2011 and continuing through and including June 1, 2021, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council. The City shall also provide the developer with a five-year, \$ 200,000 forgivable loan at zero percent interest to cover development and construction expenses with building the new grocery store. Beginning January 1, 2010, for each month of operation the developer completes, \$ 3,333 shall be forgiven by the City. If the developer ceases to own and operate said grocery store at any point during the five-year period, the unforgiven balance shall be immediately due and payable. At June 30, 2014, the unforgiven balance of the loan was \$ 20,000. During the year ended June 30, 2014, the City rebated \$ 19,998 under this agreement. The maximum remaining balance at June 30, 2014 was \$ 233,215.

With the second agreement the City has lent \$ 50,000 in October, 2010 in connection with the remodeling of a commercial building to be used as a chiropractic clinic. The note is payable in monthly installments of \$ 416.67 over 10 years with no interest. The balance at June 30, 2014 is \$ 33,750.

With the third agreement the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of a restaurant by the developer on land located within the Cascade Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of six years beginning December 1, 2014 and continuing through and including June 1, 2019, or until such earlier date upon which payments equal to \$ 20,000 have been made. The payments shall not constitute a general obligation of the City and

shall be subject to annual appropriation by the City Council. During the year ended June 30, 2014, the City rebated \$ 2,405 under this agreement. The maximum remaining balance at June 30, 2014 was \$ 15,725.

With the fourth agreement the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of a corporate office, gas station and convenience store on land located within the Cascade Urban Renewal Area and creation of 18 employment positions by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning with December 1, 2013 and continuing through and including June 1, 2023, or until such earlier date upon which payments equal to \$ 135,000 have been made. The payments shall not constitute a general obligation and shall be subject to annual appropriation by the City Council. During the year ended June 30, 2014, the City rebated \$ 10,341 under this agreement. The maximum remaining balance at June 30, 2014 was \$ 124,659.

#### **11) Commitments**

At June 30, 2014, the City had entered into four construction contracts totaling \$ 2,552,935 for water system improvements. Disbursements under these contracts totaled \$ 2,456,459 over the last two years, leaving a balance of \$ 96,475 at June 30, 2014.

At June 30, 2014, the City had committed to purchasing a pick-up truck for \$ 35,584 using committed General Fund balances.

The City is leasing the building housing the city ambulance service at a monthly amount of \$ 500. Total rents under this lease were \$ 6,000 for the fiscal year ended June 30, 2014. Although the lease expired at June 30, 2012 and has not been renewed, the City and lessor have continued the arrangement using the original lease terms.

#### **12) Concentration of Credit Risk**

The Cascade Municipal Utilities grants credit to its customers, all of whom are located in the municipal service area.

#### **13) Contingencies**

The City has received notice from the Iowa Department of Natural Resources (DNR) in a letter dated November 19, 2014 that the City's wastewater treatment is out of compliance with State regulations and in violation of its facility permit. The DNR mandated that final plans and specs were to be submitted by December 1, 2014 and contracts awards were to be made by March 1, 2015. In a letter dated November 26, 2014, the City requested the DNR to modify the above compliance dates. Preliminary



cost estimates for a new wastewater treatment facility are between \$ 6 million and \$ 8 million.

#### **14) Deficit Balance**

The Capital Projects Fund had a deficit balance of \$ 714,996 at June 30, 2014. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated primarily through transfers.

#### **15) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statements No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## OTHER INFORMATION

CITY OF CASCADE  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES-  
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS, PROPRIETARY FUNDS,  
AND COMPONENT UNIT  
OTHER INFORMATION  
Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Unit	Total	Budgeted Original	Amounts Final	Final to Total Variance
Receipts:							
Property tax	\$ 535,497	-	-	535,497	535,836	535,836	(339)
Tax increment financing	548,073	-	-	548,073	576,203	576,203	(28,130)
Other city tax	244,047	-	-	244,047	256,660	256,660	(12,613)
Licenses and permits	25,252	-	-	25,252	6,730	6,730	18,522
Use of money and property	20,555	6,175	17,460	44,190	41,681	41,681	2,509
Intergovernmental	245,229	-	-	245,229	557,137	557,137	(311,908)
Charges for service	203,067	745,473	3,096,293	4,044,833	3,981,298	3,981,298	63,535
Special assessments	2,372	-	-	2,372	2,880	2,880	(508)
Miscellaneous	27,004	9,190	106,792	142,986	25,000	25,000	117,986
Total receipts	<u>1,851,096</u>	<u>760,838</u>	<u>3,220,545</u>	<u>5,832,479</u>	<u>5,983,425</u>	<u>5,983,425</u>	<u>(150,946)</u>
Disbursements:							
Public safety	239,492	-	-	239,492	451,405	451,405	211,913
Public works	346,394	-	-	346,394	368,274	388,274	41,880
Culture and recreation	176,181	-	-	176,181	556,835	556,835	380,654
Community and economic development	120,812	-	-	120,812	123,202	123,202	2,390
General government	223,022	-	-	223,022	196,531	196,531	(26,491)
Debt service	559,764	-	-	559,764	558,375	563,375	3,611
Capital projects	1,635,242	-	-	1,635,242	2,350,000	2,350,000	714,758
Business type activities	-	466,416	3,027,830	3,494,246	3,706,791	3,706,791	212,545
Total disbursements	<u>3,300,907</u>	<u>466,416</u>	<u>3,027,830</u>	<u>6,795,153</u>	<u>8,311,413</u>	<u>8,336,413</u>	<u>1,541,260</u>
Excess (deficiency) of receipts over (under) disbursements	(1,449,811)	294,422	192,715	(962,674)	(2,327,988)	(2,352,988)	1,390,314
Other financing sources (uses), net	127,821	(127,821)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,321,990)	166,601	192,715	(962,674)	(2,327,988)	(2,352,988)	1,390,314
Balances beginning of year	<u>2,728,631</u>	<u>1,020,852</u>	<u>2,445,403</u>	<u>6,194,886</u>	<u>6,033,124</u>	<u>6,033,124</u>	<u>161,762</u>
Balances end of year	<u>\$ 1,406,641</u>	<u>1,187,453</u>	<u>2,638,118</u>	<u>5,232,212</u>	<u>3,705,136</u>	<u>3,680,136</u>	<u>1,552,076</u>

See accompanying independent auditor's report and notes to other information-budgetary reporting

## CITY OF CASCADE

### Notes to Other Information - Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2014, one budget amendment increased budgeted disbursements by \$ 25,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the general government function.

## SUPPLEMENTARY INFORMATION

## Schedule 1

CITY OF CASCADE  
SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Primary Government:								
General obligation notes:								
Street improvement	Dec 20, 2006	4.95%	\$ 156,600	46,980	-	15,660	31,320	2,292
Street improvement	Nov 11, 2009	3.95	165,000	99,000	-	16,500	82,500	3,890
Ambulance acquisition	Oct 31, 2012	2.21	400,000	350,163	-	39,979	310,184	12,998
Total				496,143	-	72,139	424,004	19,180
General obligation bonds:								
Corporate purposes	Jul 1, 2012	1.00-2.00%	\$ 3,200,000	3,200,000	-	225,000	2,975,000	45,570
Urban renewal tax increment financing (TIF) revenue notes	May 1, 2007	4.00%	\$ 645,000	105,000	-	105,000	-	4,200
Revenue notes:								
Polk Street Lift Station	Feb 17, 2010	3.00%	\$ 137,000	82,000	-	20,000	62,000	2,460
Revenue bonds:								
Water	Jun 1, 2012	0.75-3.60%	\$ 995,000	955,000	-	40,000	915,000	24,510
Discretely Presented Component Unit:								
Revenue notes:								
Electric	Jan 27, 2011	1.75-4.10%	\$ 2,275,000	1,880,000	-	135,000	1,745,000	59,903

See accompanying independent auditor's report.

## Schedule 2

CITY OF CASCADE  
BOND AND NOTE MATURITIES  
June 30, 2014

Primary Government							
General Obligation Notes							
Year Ending June 30,	Street Improvement		Street Improvement		Ambulance Acquisition		Total
	Issued Dec 20, 2006		Issued Nov 11, 2009		Issued Oct 31, 2012		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2015	4.95%	\$ 15,660	3.95%	\$ 16,500	2.21%	\$ -	32,160
2016	4.95	15,660	3.95	16,500	2.21	30,184	62,344
2017	-	-	3.95	16,500	2.21	40,000	56,500
2018	-	-	3.95	16,500	2.21	40,000	56,500
2019	-	-	3.95	16,500	2.21	40,000	56,500
2020	-	-	-	-	2.21	40,000	40,000
2021	-	-	-	-	2.21	40,000	40,000
2022	-	-	-	-	2.21	40,000	40,000
2023	-	-	-	-	2.21	40,000	40,000
Total		<u>\$ 31,320</u>		<u>\$ 82,500</u>		<u>\$ 310,184</u>	<u>424,004</u>

Primary Government							Discretely Presented Component Unit	
General Obligation Bonds			Revenue Notes		Revenue Bonds		Revenue Notes	
Corporate Purpose			Polk Street Lift Station		Water		Electric	
Issued Jul 1, 2012			Issued Feb 17, 2010		Issued Jun 1, 2012		Issued Jan 27, 2011	
Interest			Interest		Interest		Interest	
Rates			Rates		Rates		Rates	
Amount			Amount		Amount		Amount	
2015	1.00%	\$ 335,000	3.00%	\$ 20,000	1.00%	\$ 40,000	2.00%	\$ 140,000
2016	1.00	340,000	3.00	21,000	1.00	45,000	2.20	140,000
2017	1.10	360,000	3.00	21,000	1.50	45,000	2.55	145,000
2018	1.30	365,000	-	-	1.50	45,000	2.90	145,000
2019	1.50	370,000	-	-	2.00	45,000	3.15	150,000
2020	1.70	395,000	-	-	2.00	45,000	3.40	155,000
2021	1.85	400,000	-	-	2.40	45,000	3.60	160,000
2022	2.00	410,000	-	-	2.40	45,000	3.75	165,000
2023	-	-	-	-	2.80	50,000	3.90	175,000
2024	-	-	-	-	2.80	50,000	4.00	180,000
2025	-	-	-	-	3.00	50,000	4.10	190,000
2026	-	-	-	-	3.00	55,000	-	-
2027	-	-	-	-	3.20	55,000	-	-
2028	-	-	-	-	3.20	55,000	-	-
2029	-	-	-	-	3.40	60,000	-	-
2030	-	-	-	-	3.40	60,000	-	-
2031	-	-	-	-	3.60	60,000	-	-
2032	-	-	-	-	3.60	65,000	-	-
Total		<u>\$ 2,975,000</u>		<u>\$ 62,000</u>		<u>\$ 915,000</u>		<u>\$ 1,745,000</u>

See accompanying independent auditor's report.

CITY OF CASCADE  
 SCHEDULE OF RECEIPTS BY SOURCE  
 AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS  
 FOR THE LAST FIVE YEARS

	2014	2013	2012	2011	2010
<b>Receipts:</b>					
Property tax	\$ 535,497	521,631	475,560	454,211	444,562
Tax increment financing	548,073	550,307	503,479	496,139	432,131
Other city tax	244,047	258,214	251,628	233,362	240,517
Licenses and permits	25,252	7,151	7,008	7,933	7,226
Use of money and property	20,555	30,569	7,306	24,625	26,638
Intergovernmental	245,229	464,596	391,434	634,808	211,296
Charges for service	203,067	172,214	198,044	164,045	92,195
Special assessments	2,372	7,127	14,962	8,482	46,354
Miscellaneous	27,004	86,027	29,643	63,696	25,234
<b>Total</b>	<b>\$ 1,851,096</b>	<b>2,097,836</b>	<b>1,879,064</b>	<b>2,087,301</b>	<b>1,526,153</b>
<b>Disbursements:</b>					
Operating:					
Public safety	\$ 239,492	542,882	417,858	356,283	273,074
Public works	346,394	330,323	342,369	330,388	418,696
Culture and recreation	176,181	157,292	198,736	163,113	176,266
Community and economic					
Development	120,812	213,342	96,861	116,282	312,345
General government	223,022	219,344	204,786	186,458	198,764
Debt service	559,764	371,110	263,201	261,384	338,932
Capital projects	1,635,242	3,070,245	519,150	859,861	205,124
<b>Total</b>	<b>\$ 3,300,907</b>	<b>4,904,538</b>	<b>2,042,961</b>	<b>2,273,769</b>	<b>1,923,201</b>

See accompanying independent auditor's report.



**STEVEN S. CLAUSEN, CPA**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, the discretely presented component unit and each major fund of the City of Cascade, Iowa as of and for the year ended June 30, 2014, and the related Notes to Financial Statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 12, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cascade's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cascade's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cascade's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by

those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cascade's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of these statutes.

#### City of Cascade's Responses to Findings

The City of Cascade's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Cascade's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Cascade during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

January 12, 2015

A handwritten signature in cursive script that reads "Dietz, Donald & Company".

Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

CITY OF CASCADE  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

No material weaknesses were identified.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF CASCADE  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

- II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Responses - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-14 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-14 Business Transactions - No business transactions between City and City officials or employees were noted.

- II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. However, the minutes were not signed by the Mayor.

Recommendation - All minutes should be signed by both the Mayor and City Clerk.

CITY OF CASCADE  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2014

II-F-14 Council Minutes (continued)

Response- The Mayor began signing minutes in June.

Conclusion - Response accepted.

II-G-14 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-14 Revenue Bonds and Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.

II-I-14 Records of Account - Ambulance receipts are collected by a third party and later transferred to the City by the agent. This account is not included in the City's records. At June 30, 2014, this account had a balance of \$ 10,091. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of the ambulance should be recorded in the City's records.

Response - We will determine the best way to do this.

Conclusion - Response accepted.

II-J-14 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for its bank accounts.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response - We will ask the bank to do this.

Conclusion - Response accepted.

CITY OF CASCADE  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2014

II-K-14 Financial Condition - The Capital Projects Fund had a deficit balance of \$ 714,996 at June 30, 2014.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The City is aware of the problem and is considering several options to eliminate the deficit.

Conclusion - Response accepted.

II-L-14 Payroll Taxes - The City deducts amounts owed to the City from pool employees payroll checks. The payroll software deducted this amount from taxable social security wages.

Recommendation - The City should contact their software provider to correct the problem.

Response - We will do this.

Conclusion - Response accepted.

II-M-14 Economic Development Loan - The City had previously entered into a \$ 50,000 interest free economic development loan with a Cascade business. During the fiscal year ended June 30, 2014, the City received only seven of the twelve required payments.

Recommendation - The City needs to establish procedures to monitor the loan payments to make sure the business is current on its payments.

Response - We will do this.

Conclusion - Response accepted.